



The Commonwealth of Massachusetts
Office of the Commissioner of Banks
One South Station
Boston, Massachusetts 02110

JANE SWIFT
GOVERNOR

THOMAS J. CURRY
COMMISSIONER

November 20, 2001

Ms. Ana M. Foster
Compliance Officer
Cambridge Trust Company
1336 Massachusetts Avenue
Cambridge, MA 02138-3829

Dear Ms. Foster:

This letter is written in response to your correspondence of July 25, 2001 to the Division of Banks (the "Division") on behalf of Cambridge Trust Company (the "Bank") requesting clarification as to whether credit card debt to an insider of the Bank would be considered an extension of credit under applicable Massachusetts law and regulation governing insider transactions.

G.L. chapter 172, section 18, governing loans to officers and directors of a trust company, permits the extension of credit to officers and directors within prescribed limitations with the prior approval of a majority of the board of directors. The Bank may lend to directors who are not officers subject to the limitations in G.L. chapter 167E on a non-preferential basis. In addition, section 18 requires the Bank to make an annual report to the Division of any loan or extension of credit to any officer, director or principal shareholder. Said section 18 does not contain an exclusion for credit card debt in calculating permissible extensions of credit nor does it exclude credit card debt from the public reporting requirements in the section.

In addition, the Division's Regulatory Bulletin 2.1-102 (the "Bulletin"), issued March 27, 1998, provides clarification on the relationship between Massachusetts statutes governing extensions of credit of insiders and applicable provisions found in federal Regulation O. As a general rule, the more stringent or restrictive provision of state or federal law shall ordinarily control. The Bulletin, when issued, rescinded, repealed and replaced the Division's formerly issued Administrative Bulletin 9-1 and incorporated Division Opinions #93-096 and #97-053. Your letter raises the question of a statement included in Opinion #97-053 inquiring as to whether the aggregate loan amount levels set forth in Administrative Bulletin 9-1 included residential mortgage loan balances. The Opinion responded to the question by citing to the definition of "Assets" which excluded "all loans or other extensions of credit exclusive of credit card transactions." Opinion #97-053 cited the definition of "Assets" which existed at the time of the issuance of the opinion, i.e. July 31, 1997. The Bulletin, issued in 1998, does not contain a definition of "Assets" and states specifically that "all extensions of credit" by a state chartered institution to its officers shall be limited to the types of credit and limitations as specified in the type of bank charter's application statute and shall be subject to the provisions of the Bulletin requiring non-preferential terms and conditions and record keeping requirements. Although the Bulletin states that it incorporates Opinion #97-053, the applicable reference in that opinion essentially quotes a definition from the then applicable Administrative Bulletin 9-1. The repeal of Administrative Bulletin 9-1 and omission of this exclusion in



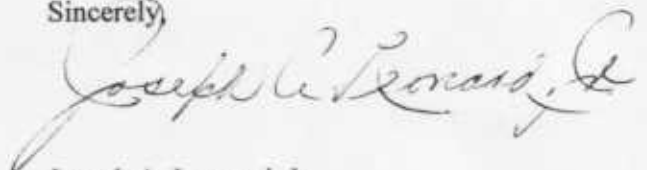
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the Bulletin negates the continuing applicability of the exclusion for credit card debt referenced in the definition of "Assets". Additionally, the state law provision is more restrictive than federal Regulation O, which excludes indebtedness of \$15,000 or less arising from any general arrangement by which a bank acquires charge or time credit accounts.¹

Accordingly, there is no exclusion for credit card debt of an insider in the calculation of extensions of credit to insiders of the Bank.

The conclusions reached in this letter are based solely on the facts presented. Fact patterns which vary from that presented may result in a different position statement by the Division.

Sincerely,

A handwritten signature in cursive script, reading "Joseph A. Leonard, Jr.", with a stylized flourish at the end.

Joseph A. Leonard, Jr.
Deputy Commissioner of Banks
and General Counsel

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¹ See 12 CFR 215.3(b)(5)